



# WEINLANDER FITZHUGH

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& CONSULTANTS

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ST. CHARLES DISTRICT LIBRARY  
ST. CHARLES, MICHIGAN

FINANCIAL STATEMENTS  
MARCH 31, 2007

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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name St. Charles District Library	County Saginaw
Fiscal Year End 03/31/07	Opinion Date 07/09/07	Date Audit Report Submitted to State 08/03/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

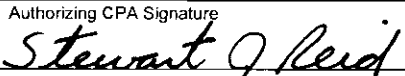
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-893-5577	
Street Address 1600 Center Ave.		City Bay City	State MI
		Zip 48708	
Authorizing CPA Signature 		Printed Name Stewart J. Reid	
		License Number 110100826	

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## INDEPENDENT AUDITORS' REPORT

July 9, 2007

Library Board  
St. Charles District Library  
St. Charles, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Charles District Library, St. Charles, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Library's basic financial statements as listed in the index. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St. Charles District Library as of March 31, 2007, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

Our discussion and analysis of the St. Charles District Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2007.

**Financial Highlights**

The Library reported an excess of revenue over expenditures of approximately \$16,000 resulting in an ending fund balance of approximately \$168,000.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the St. Charles District Library financially as a whole.

The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's general fund.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

**Reporting the Library as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Library's finances is, "Is the Library better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Library's net assets as a way to measure the Library's financial position. The change in net assets provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as facility conditions and inventory of books in arriving at their conclusion regarding the overall health of the Library.

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

**Reporting the Library's Most Significant Funds**

*Fund Financial Statements*

The Library's fund financial statements provide detailed information about the most significant funds – not the Library as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The general fund used by the Library is a governmental fund.

*Governmental Funds*

All of the Library's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

**Government-wide Financial Analysis**

**Financial position** - The statement of net assets provides the perspective of the Library as a whole. Exhibit A provides a summary of the Library's net assets as of March 31, 2007 and 2006.

**Exhibit A**

	<u>Governmental Activities</u>	
	2007	2006
<b>Assets</b>		
Current and other assets	\$ 309,000	\$ 285,000
Capital assets - net of accumulated depreciation	<u>202,000</u>	<u>204,000</u>
Total assets	<u>511,000</u>	<u>489,000</u>
<b>Liabilities</b>		
Current liabilities	183,000	138,000
Long-term liabilities	<u>61,000</u>	<u>102,000</u>
Total Liabilities	<u>244,000</u>	<u>240,000</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	99,000	96,000
Unrestricted	<u>168,000</u>	<u>153,000</u>
Total net assets	<u>\$ 267,000</u>	<u>\$ 249,000</u>

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

Exhibit A, on the previous page, focuses on net assets. The Library's total net assets were \$267,000 at March 31, 2007. Capital assets net of related debt, totaling \$99,000, compares the original costs, less depreciation of the Library's capital assets to long-term debt used to finance the acquisition of those assets.

The \$168,000 of unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

**Results of operations** - The results of this year's operations for the Library as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2007. Exhibit B provides a summary of the Library's operations for the years ended March 31, 2007 and 2006.



ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

**Exhibit B**

	Governmental Activities	
	2007	2006
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 5,000	\$ 5,000
Operating grants and contributions	15,000	10,000
Capital grants and contributions	0	8,000
General revenue:		
Property taxes	137,000	137,000
Penal fines	34,000	32,000
State aid	7,000	6,000
Other	10,000	4,000
Total revenue	208,000	202,000
<b>Function/Program Expenses</b>		
Library	189,000	199,000
<b>Increase in Net Assets</b>	<u>\$ 19,000</u>	<u>\$ 3,000</u>

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$189,000. Certain activities were partially funded by \$5,000 from those who benefited from the programs and by \$15,000 from organizations and individuals that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$137,000 in taxes, \$34,000 in penal fines, \$7,000 in state aid and with our other revenues, such as interest and miscellaneous revenues.

The Library experienced an increase in net assets of \$19,000.

**The Library's Funds**

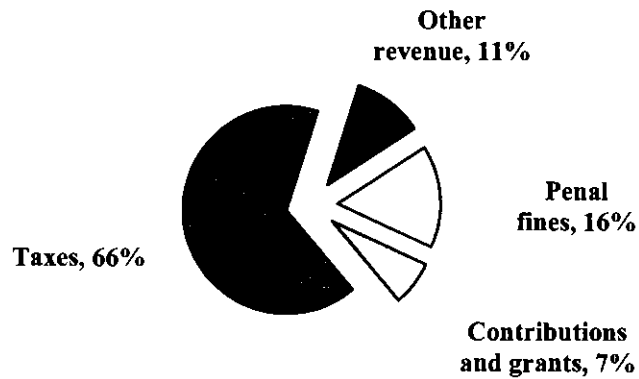
The Library uses the general fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

The Library's governmental fund reported a fund balance of \$168,000, which is above last year's total of \$153,000. The schedule below indicates the fund balance and the total change in fund balances as of March 31, 2007 and 2006.

	<u>Fund Balance</u> <u>March 31, 2007</u>	<u>Fund Balance</u> <u>March 31, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	<u>\$ 168,000</u>	<u>\$ 153,000</u>	<u>\$ 15,000</u>

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

The graph below details the major sources of the Library's revenues.



The chart below compares current year revenues with last year.

	2007	2006	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 137,000	\$ 137,000	0%
Penal fines	34,000	32,000	6%
Contributions and grants	15,000	18,000	-17%
Other	22,000	15,000	47%
Total	<u>\$ 208,000</u>	<u>\$ 202,000</u>	<u>3%</u>

Revenues are consistent with prior year.

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

**General Fund Budgetary Highlights**

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

No significant changes were made to the original budget.

No significant variances between actual and budgeted amounts were noted.

**Capital Assets**

At March 31, 2007, the Library had \$202,000 invested in capital assets, including land, buildings and improvements, equipment, books and periodicals. This amount represents a net decrease (including additions and disposals) of \$2,000 or 1%, from last year.

	Governmental Activities	
	2007	2006
Land	\$ 130,000	\$ 130,000
Buildings and improvements	193,000	193,000
Equipment	97,000	93,000
Books, periodicals, etc.	1,071,000	1,096,000
Total capital assets	1,491,000	1,512,000
Less accumulated depreciation	1,289,000	1,308,000
Net capital assets	<u>\$ 202,000</u>	<u>\$ 204,000</u>

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate acquiring approximately \$20,000 of books and periodicals next year.

ST. CHARLES DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended March 31, 2007

**Debt**

At the end of this year, the Library had \$102,000 in long-term debt outstanding versus \$107,000 in the previous year -- a change of 4 %. The debt is summarized as follows:

	<u>2007</u>	<u>2006</u>
Notes payable	<u>\$ 102,000</u>	<u>\$ 107,000</u>

**Factors Expected to Have an Effect on Future Operations**

The Library is seeking a millage approval in the future for the construction of a new facility of approximately \$1,700,000.

**Contacting The Library's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, contact the Library's Office at 104 W. Spruce St., St. Charles, Michigan 48655-1238.

ST. CHARLES DISTRICT LIBRARY  
Statement of Net Assets  
March 31, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments (partially restricted)	\$ 303,729
Interest receivable	1,105
Taxes receivable	2,893
Prepaid expenses	1,827
Capital assets less accumulated depreciation of \$1,289,798	<u>201,798</u>
Total Assets	<u>511,352</u>
 <u>Liabilities</u>	
Accounts payable	3,571
Deferred revenue	137,790
Noncurrent liabilities:	
Due within one year	41,605
Due in more than one year	<u>60,826</u>
Total Liabilities	<u>243,792</u>
 <u>Net Assets</u>	
Investment in capital assets net of related debt	99,367
Unrestricted	<u>168,193</u>
Total Net Assets	<u><u>\$ 267,560</u></u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY  
Statement of Activities  
For the Year Ended March 31, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>				
Primary government: Library	<u>\$ 189,338</u>	<u>\$ 4,759</u>	<u>\$ 15,005</u>	<u>\$ (169,574)</u>
General Revenues:				
Taxes				137,142
State aid				6,909
Penal fines				33,919
Interest earnings				7,918
Other				<u>2,580</u>
Total general revenues				<u>188,468</u>
Change in net assets				18,894
Net assets - beginning of year				<u>248,666</u>
Net assets - end of year				<u>\$ 267,560</u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY  
Governmental Funds  
Balance Sheet  
March 31, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 303,729
Interest receivable	1,105
Taxes receivable	2,893
Prepaid expenses	<u>1,827</u>
Total assets	<u><u>\$ 309,554</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities</u>	
Accounts payable	\$ 3,571
Deferred revenue	<u>137,790</u>
Total liabilities	141,361
<u>Fund Balance</u>	
Unreserved	<u>168,193</u>
Total liabilities and fund balance	<u><u>\$ 309,554</u></u>

See accompanying notes to financial statements.



ST. CHARLES DISTRICT LIBRARY  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
March 31, 2007

Total fund balance - governmental funds	\$ 168,193
---	------------

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds:

Cost of the capital assets	1,491,097
Accumulated depreciation	(1,289,299)

Long-term liabilities are not due and payable in the current  
period and are not reported in the funds:

Notes payable	<u>(102,431)</u>
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Total net assets - governmental activities	<u><u>\$ 267,560</u></u>
--	--------------------------

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended March 31, 2007

	<u>General Fund</u>
<u>Revenues</u>	
Property taxes:	
St. Charles Township	\$ 48,885
Swan Creek Township	58,310
Brant Township	29,947
Penal fines	33,919
State aid	6,909
Contributions:	
Eva Earle Trust	6,047
Other	6,350
Memorials	2,608
Book fines and fees	4,759
Interest	7,918
Other	2,580
	<u>208,232</u>
Total revenues	
<u>Expenditures</u>	
Library	182,498
Debt service:	
Principal	5,052
Interest	5,068
	<u>192,618</u>
Total expenditures	
Excess of revenues over expenditures	<u>15,614</u>
Fund balance - beginning of year	<u>152,579</u>
Fund balance - end of year	<u><u>\$ 168,193</u></u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2007

Net change in fund balance - total governmental funds	\$ 15,614
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation:

Depreciation expense	\$ (28,038)	
Capital outlay	<u>26,266</u>	(1,772)

Repayment of bond principal is an expenditure in the  
governmental funds, but not in the statement of activities  
(where it reduces long-term debt).

	<u>5,052</u>
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Change in net assets of governmental activities	<u><u>\$ 18,894</u></u>
---	-------------------------

See accompanying notes to financial statements.

**ST. CHARLES DISTRICT LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the St. Charles District Library conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the St. Charles District Library:

**Reporting Entity**

The St. Charles District Library (Library) was organized under Public Act 164 of 1955 on April 1, 1978. The Act was repealed in its entirety in 1989 and is now governed by the provisions of the District Library Establishment Act, Public Act 24 of 1989. Swan Creek, Brant, and St. Charles Township, the three townships that agreed to jointly establish the Library, each appoints two council members to serve as Library trustees.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

**ST. CHARLES DISTRICT LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major fund:

**General Fund** - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the library. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and books, periodicals, etc. are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Equipment	5 to 10 years
Books, periodicals, etc.	5 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

St. Charles District Library follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Library's director submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Library's deposits are in accordance with statutory authority.

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	\$ 303,729
Investments	0
	<u>\$ 303,729</u>

The breakdown between deposits is as follows:

Bank deposits (checking, savings and certificates of deposit)	\$ 303,579
Petty cash and cash on hand	<u>150</u>
Total	<u>\$ 303,729</u>

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of March 31, 2007, \$111,268 of the Library's bank balance of \$311,268, was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Library's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.



ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Library for the year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Capital assets being depreciated:				
Buildings and improvements	193,310	0	0	193,310
Equipment	92,661	5,500	1,020	97,141
Books, periodicals, etc.	1,096,380	20,766	46,500	1,070,646
Subtotal	<u>1,382,351</u>	<u>26,266</u>	<u>47,520</u>	<u>1,361,097</u>
Less accumulated depreciation for:				
Buildings and improvements	193,310	0	0	193,310
Equipment	86,694	2,209	1,020	87,883
Books, periodicals, etc.	1,028,777	25,829	46,500	1,008,106
Subtotal	<u>1,308,781</u>	<u>28,038</u>	<u>47,520</u>	<u>1,289,299</u>
Net capital assets being depreciated	<u>73,570</u>	<u>(1,772)</u>	<u>0</u>	<u>71,798</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 203,570</u>	<u>\$ (1,772)</u>	<u>\$ 0</u>	<u>\$ 201,798</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

    Library \$ 28,038

ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 5 - LONG-TERM DEBT**

The following detail shows what is owed by the Library.

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Mortgage note payable to bank, due in monthly installments of \$435, including interest at 5.0% to July 1, 2007 which at that time the remaining balance is to be paid.	\$ 42,610	\$ (3,160)	\$ 39,450
Mortgage note payable to bank, monthly installments of \$425, including interest at 4.75% to April 26, 2009, which at that time the remaining balance is to be paid.	<u>64,873</u>	<u>(1,892)</u>	<u>62,981</u>
Total	<u>\$ 107,483</u>	<u>\$ (5,052)</u>	<u>\$ 102,431</u>

Long-term obligation activity can be summarized as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance March 31, 2007</u>	<u>Amount Due Within One Year</u>
Bonds	<u>\$ 107,483</u>	<u>\$ 0</u>	<u>\$ (5,052)</u>	<u>\$ 102,431</u>	<u>\$ 41,605</u>

ST. CHARLES DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended March 31, 2007

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 41,605	\$ 3,596
2009	2,259	2,841
2010	<u>58,567</u>	<u>232</u>
Total	<u>\$ 102,431</u>	<u>\$ 6,669</u>

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue represents grants and contributions for construction of a new library building.

ST. CHARLES DISTRICT LIBRARY  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended March 31, 2007

	Original	Final	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes:				
St. Charles Township	\$ 54,217	\$ 54,217	\$ 48,885	\$ (5,332)
Swan Creek Township	55,644	55,644	58,310	2,666
Brant Township	32,816	32,816	29,947	(2,869)
Penal fines	29,000	29,000	33,919	4,919
State aid	5,922	5,922	6,909	987
Contributions:				
Eva Earle Trust	3,750	3,750	6,047	2,297
Other	1,000	720	6,350	5,630
Memorials	1,000	1,000	2,608	1,608
Book fines and fees	4,000	3,877	4,759	882
Interest	300	300	7,918	7,618
Other	4,000	2,580	2,580	0
Total revenues	191,649	189,826	208,232	18,406
<u>Expenditures</u>				
Library	193,505	200,817	192,618	8,199
Total expenditures	193,505	200,817	192,618	8,199
Net change in fund balance	(1,856)	(10,991)	15,614	26,605
Fund balance - beginning of year	152,579	152,579	152,579	0
Fund balance - end of year	\$ 150,723	\$ 141,588	\$ 168,193	\$ 26,605



# WEINLANDER FITZHUGH

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July 9, 2007

Library Board  
St. Charles District Library  
St. Charles, Michigan

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In planning and performing our audit of the financial statements of St. Charles District Library as of and for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered St. Charles District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following control deficiency to be a material weakness:

**Financial statement preparation** - As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the Organization's internal controls. In taking this required position, we must consider whether the Organization has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

It is not uncommon that small entities cannot provide the resources in their budgets to maintain the financial expertise on a full time basis. This is the situation with the Library. Due to the limited financial expertise of the staff, the Library does not have the ability to monitor and report financial activity without auditor intervention.

In addition, a number of our year-end audit adjustments were necessary in order to correct account balances.

The above comments are not intended to reflect on the performance or capability of any employee.

This communication is intended solely for the information and use of the Library Board, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*